

Minutes of the Finance Committee

Wednesday, August 20, 2008

Chair Haukohl called the meeting to order at 8:30 a.m.

Present: Supervisors Pat Haukohl (Chair), Bill Zaborowski, Jean Tortomasi, Jim Heinrich, and Steve Wimmer. Rob Hutton arrived at 10:12 a.m. **Absent:** Pamela Meyer.

Also Present: Chief of Staff Mark Mader, Building Operations Manager Mark Keckeisen, Principal Financial Projects Analyst Bob Ries, Accounting Services Manager Larry Dahl, Collections & Business Services Manager Sean Sander, Risk/Purchasing Manager Laura Stauffer, Principal Risk Management Analyst Mark Jatczak, Emergency Preparedness Director Rich Tuma, Emergency Management Coordinator Bill Stolte, Senior Financial Analyst Lyndsay Johnson, Administration Director Norm Cummings, Labor Relations Manager Jim Richter, Employee Benefits Specialist Pete Hans, Principal Human Resources Analyst Deb Kneser, and Senior Financial Analyst Bill Duckwitz. Recorded by Mary Pedersen, County Board Office.

Approve Minutes of August 6, 2008

MOTION: Tortomasi moved, second by Wimmer to approve the minutes of August 6. Motion carried 5-0.

Schedule Next Meeting Dates

September 3 and 17

Chair's Executive Committee Report of August 18, 2008

Haukohl advised of the following issues discussed at the last Executive Committee meeting.

- Approved the resolution recognizing September 10 to October 10 as Voter Registration Month.
- Approved the ordinance to establish a new distribution formula for the Federated Library System.
- Heard a six-month update on capital projects.
- Reviewed committee meeting calendars. It was noted that the County Board needs periodic presentations and reports from staff to remain vigilant and educated on matters such as budget and policy.

Announcements

Haukohl reminded the committee that registration forms and payment for the Wisconsin Counties Association Annual Conference are due in the County Board Office by August 29. Also, if anyone is interested in serving on a WCA committee, they need to return their forms to Chair Dwyer by August 25.

Haukohl indicated that a joint meeting of the Finance, Executive, and Public Works committees to review the transit audit will be held on September 8 at 8:30 a.m. in the County Board Room. Haukohl asked committee members to let her know if they will be unable to attend.

Tortomasi said nine proposals were received for a new CAD system in Dispatch. The costs ranged from \$1.5 million to \$2.4 million.

Contract Procurement Process for Roofing Repair Services

Keckeisen advised the contract was awarded to F.J.A. Christiansen Roofing, Langer Roofing & Sheet Metal, and Waukesha Roofing & Sheet Metal, the three highest rated proposers, not to exceed \$100,000, the first year budgeted amount, as required by need. Four vendors submitted proposals for consideration.

MOTION: Heinrich moved, second by Tortomasi to approve the contract procurement process for roofing repair services. Motion carried 5-0.

Six Month Report on Investments

Ries reviewed his report as outlined which included information on valuation at cost and valuation at market, investment revenue, average daily balance, total County investment income and balances, average investment rate, investment portfolio, etc. The return for the quarter was down 15 basis points from last quarter to 0.94%. The decreased return is due largely to decreases in short term interest rates by the Federal Reserve which took the Fed Funds rate from 5.25% in mid-September, 2007 to 2% following their April 30 meeting. Since then, the Fed has held rates steady. They have continued to cite a slower economy and there are increasing concerns about inflation becoming a problem which would call for an increase in short term rates. The decrease in rates has had the greatest impact in the money market funds as well as in the money market component of the managed portfolios. Money market returns averaged 2.18% during the 2nd quarter, down from 3.42% in the previous quarter and 4.15% in the 2nd quarter of 2007.

Ries said the overall return on investments for the County for the last four quarters was 4.38%, down 18 basis points from the 1st quarter, and down from 4.47% in the 2nd quarter of 2007. Total interest earnings for the quarter were \$1,717,022, down \$196,113 from the 1st quarter, and down \$258,388 from the 2nd quarter of 2007. The average invested balance increased by approximately \$7.47 million in the 2nd quarter from the previous quarter and was approximately \$4.9 million higher than the 2nd quarter of 2007. This is consistent with the County's cash flow trend over the last several years where the County receives most of its revenues early in the year and draws them down to meeting operating expenditures later in the year. During the 2nd quarter, proceeds from the annual bond issue are the most significant revenue source.

Six Month Report on Collections

Sander discussed his report entitled "Collections Division Delinquent Collection/Referral Analysis: 2008 Six Month Report." Total six-month collections decreased 10.6% from 2007 and decreased 0.4% from 2006. Tax intercept collections totaled \$689,483 through 6-30-07. A total of 2,701 tax intercept payments were received on accounts in 2008 versus 2,391 in 2007. Total collections for the first six months of 2008 were \$1,518,246, and of that amount, \$1,053,437 will be retained by the County. For comparison purposes, these figures for 2007 were \$1,697,688 and \$1,318,708, respectively. Sander noted that 2007 was a record year.

Background on the County's Insurance, Review Six Month Report on Claims, and Review Trends and Worker's Compensation Experience Modification Rating Factor

Stauffer advised that Waukesha County is self-insured for liability claims (with a few exceptions) and we have excess insurance coverage with Wisconsin Municipal Mutual Insurance Company (WMMIC). We have a \$250,000 self-insured retention which means the County pays the first \$250,000 and WMMIC pays anything over that amount. Waukesha County joined WMMIC in 1988. Stauffer said although we are an owner of WMMIC and claims are paid by WMMIC, they pay the claim and we put money back into the fund based on a formula. With regards to litigation, WMMIC uses outside legal counsel for defense. Corporation Counsel and Risk Management staff are also involved and we all work together on how to proceed with claims.

Stauffer said we receive dividends each year from WMMIC so it is a good investment for the County. From 1988 through 2007, we received about \$750,000 more than what we paid in because of good loss experience. We have invested \$2.5 million in the company which has resulted in not only the dividends, but also growth in our equity ownership. The growth in our equity has been 53% or about \$1.2 million.

Stauffer went on to review our coverage/deductibles for general liability, auto collision, auto comprehensive, property damage, and worker's compensation claims. With worker's compensation we buy insurance through WMMIC; it's not an ownership type of thing. Stauffer advised that we manage worker's compensation claims ourselves with the help of a third party administrator (TPA) which just happens to be WMMIC. She noted that an RFP will go out within the next month for TPA services for 2009.

Hutton arrived at 10:12 a.m.

Jatzak distributed copies of "Waukesha County Worker's Compensation Experience Modification." Stauffer said this is a method of determining if an entity's losses are expected, better than expected, or worse than expected. It's based on two things: how much payroll do you have per classification (police, clerical, highway, etc.) and amount of losses. It is compared to other entities and if you rate a 1.0 you're as good as everyone else, if you're above 1.0 you're worse than everyone else, and if you're below 1.0 you're better than everyone else. Waukesha County is currently at 1.05. Stauffer believes this is manageable and she hopes to be below 1.0 in 2011 which she explained further. Stauffer said this does not affect insurance costs because we are self-insured but we are having more claims than expected.

Jatzak distributed copies of "Waukesha County Claims History 2004-2008" and "Waukesha County Worker's Compensation 2004-2008 Claims History Summary." Stauffer said a total of 13 general liability claims were opened during the first half of 2008, 4 remained open by the end of the first half, and the total incurred during this timeframe was \$5,500. A total of 20 auto liability claims were opened, 5 remained open, and the total incurred was \$53,570. With regards to auto physical damage claims, 13 were opened, 3 remained open, and the total incurred was \$18,459. Regarding property damage claims, 12 were opened, 10 remained open, and the total incurred was \$73,355. Stauffer indicated a total of 59 worker's compensation claims were opened during the first half of

2008, 30 remained open, and the total incurred during this timeframe was \$280,159. Stauffer went on to discuss some of the larger claims that have opened and those that have closed.

Ordinance 163-O-031: Accept Homeland Security-Urban Area Security Initiative FY2006 Program Funding And Modify The Emergency Preparedness 2008 Budget To Appropriate Grant Revenues And Expenditures To Purchase Portable Video Surveillance System

Tuma, Stolte, and Johnson were present to discuss this ordinance as outlined. Tuma said they are requesting approval to accept a \$50,000 Homeland Security grant to purchase seven video surveillance camera systems for the Milwaukee metropolitan area. Waukesha County will receive one of the systems.

These systems have the capability to digitally record observations and can be easily deployed to monitor key infrastructure or events. Waukesha County's system will be the responsibility of our Sheriff's Department once it is purchased. Staff expect ongoing maintenance costs to be minimal and it won't be replaced at the end of its useful life unless grant funds or other non-County tax levy funds can be obtained.

To answer Hutton's question, Tuma guessed the system would be used four to five times per year. Stolte expected that once the equipment is here, they will likely find additional uses for it. To answer Heinrich's questions, Tuma said the Sheriff's Department will primarily be using it so therefore, they will monitor it. There also may be some instances when the dispatchers will use it. Haukohl asked who would be responsible if someone borrows it and it is damaged. Tuma said it has an anti-tamper design so they are difficult to damage but any damage would be the responsibility of the entity using it. Mader suggested talking with Stauffer about the local government property insurance fund for coverage. Hutton asked where we could have benefited from using this in the past. Tuma gave examples of the June flooding of the Fox River, and help with tending the tire fire that was in Jefferson Co. There have been some criminal and other suspicious activities which he explained as well.

MOTION: Heinrich moved, second by Tortomasi to approve Ordinance 163-O-031. Motion carried 7-0.

Ordinance 163-O-032: Employee Retention/Severance Salary And Benefits For 2009

Richter said this ordinance is done annually in anticipation of the 2009 budget and any possible layoffs which could result due to budget reductions. The ordinance is exactly the same as the one approved last year.

Under the proposed retention/severance program, regular full-time employees will be eligible for three to nine weeks of severance payment, depending on years of service. (Regular part-time employees will be eligible for half that benefit). In addition, regular full-time and part-time employees would be eligible for up to three months of the County contribution to the health plan they are enrolled in at the time of the layoff. Laid off employees would also be eligible to participate in the Tuition Assistance Program for one year after being laid off.

While the fiscal impact of this program will be dependent on decisions made by the affected employees, it is anticipated that the retention/severance appropriation to be requested in the proposed 2009 non-departmental budget will be sufficient to cover the costs. The \$30,000 severance/retention appropriation in the 2008 budget was more than sufficient in providing benefits to qualified employees in the current budget. Any costs related to the tuition assistance benefit will be absorbed in the 2009 Department of Administration budget.

Cummings stressed how important this legislation is and he urged support. He gave examples of a couple of layoffs that will likely occur due to budget cuts affecting next year's budget. Some of these individuals have been with the County for 15+ years. He said one layoff was a very difficult decision to make and he highly doubts the department head will agree to it without this ordinance.

Heinrich brought up Wimmer's comment at Personnel Committee yesterday about having laid off employees sign release forms to lessen the possibility of a lawsuit such as age discrimination, etc. Richter said Corporation Counsel Farley had indicated after yesterday's meeting that a release was not necessary in this type of situation as they would not prevail in a claim. Wimmer said whether they prevail on a claim is one thing but you really don't want to deal with a claim at all. A release would significantly lessen the likelihood that a claim would be filed. Once a claim is filed, we would have to defend it which would result in incurred County costs. He felt this was typical practice in the private sector but otherwise, this is a reasonable package. Wimmer will talk with Farley about this issue and Cummings said he would draft an amendment if Wimmer still feels the release would be of benefit. Heinrich also spoke in favor of a release.

Hutton asked if there should be a tier for health insurance which is paid by the County for three months. For example, should a person who has only been employed here one year get the same three months as someone who has been here for ten years? Cummings said this is often where a person is hardest hit when they are laid off. Hutton asked if they get another job, can we terminate their severance package. Cummings asked how we would know unless they told us. In addition, Richter said they could get a job elsewhere but be making much less money. Hutton said while he understood Richter's point, he didn't think this should be the County's concern. Zaborowski felt this package was overly generous whereby Haukohl disagreed. Cummings noted this will not have a huge fiscal impact on the County but it will impact our employees and it will reflect on us as an employer. Hutton was concerned that these individuals would have 60 to 90 days to find another job and still be able to collect severance. He felt notification of another job was necessary. Cummings and Richter felt this would be difficult to collaborate and most people are more worried about paying the bills, having health insurance, and finding another job. Zaborowski felt a forced notification would be difficult since these people are likely to be angry and hurt. They are unlikely to cooperate in this regard. You either have to support this severance package or you don't.

Heinrich said while he voted in favor of this ordinance at Personnel Committee, he has since changed his mind and will vote against it today. He believes there should be a give and take and there's not enough give involved.

MOTION: Tortomasi moved, second by Wimmer to approve Ordinance 163-O-032. Motion defeated 3-3. Hutton, Zaborowski, and Heinrich voted no.

Educational Presentation on the Lifestyle & Wellness Program

Hans distributed copies of "Waukesha County Integrated Health Management Program." Richter noted that this committee, at their last meeting, approved the contract procurement process of choosing eCare Solutions to administer the Waukesha County Lifestyle & Wellness Program which is contingent upon approval of the 2009 budget. The primary reason for this program is because health insurance is a major budget and long-term, we hope to see reduced health care costs. For 2008, they are projecting a cost of over \$14 million for health insurance. As an employer, 1,260 employees are in the County's health insurance plan and when you add dependants this number increases to over 3,000. Richter discussed demographics and how they impact our insurance.

There are four components of the program: Health Insurance Plan Design, Employee Assistance Program, Disease/Care Coordination, and Wellness and Lifestyle Management. Richter discussed each component in detail. He distributed a sample report of what we'll get from eCare outlining our return on investment. Richter discussed how these pieces work together.

The 2009 budget includes a proposal of \$178,000 for operation of the Lifestyle & Wellness Program. The funding will be used as follows: wellness consulting/administration/website/reporting (\$104,000); employee participation incentives (\$50,000); major program costs such as smoking cessation, weight loss, and fitness challenge (\$16,500); and miscellaneous such as printing and postage (\$7,500). The budget assumes 525 participants, which equates to \$95 in incentives per participating employee over the course of the calendar year. Some examples of employee incentives include reduced employee costs for health insurance, flex spending plan contributions, cash, gift cards, program discounts, etc.

Hans said everything leads to this type of model. You need to dangle a carrot to get them engaged and then you work on modifying behaviors. We need to create a culture of wellness which starts at the County Executive and works through management. Richter said we know this won't happen overnight and these are long-term strategies. For every \$1 we spend we should get \$3 back but we probably won't see these dollars until year three. Richter stressed that the costs may not always go down but the rate of increase will be less.

MOTION: Heinrich moved, second by Wimmer to adjourn at 1:11 p.m. Motion carried 6-0.

Respectfully submitted,

Approved on:_____

Pamela Meyer
Secretary